United Nations A/71/558

General Assembly

Distr.: General
20 October 2016

Original: English

Seventy-first session
Agenda item 132
Financial reports and audited financial statements, and reports of the Board of Auditors

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2015

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to resolution 47/211, a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors on its audit of accounts for the year ended 31 December 2015.

16-18275 (E) 151116

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Letters of transmittal

Letter dated 20 October 2016 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2015.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

Letter dated 20 October 2016 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the concise summary of the principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its seventy-first session.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania
Chair of the Board of Auditors

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Abbreviations

ICT	Information and communications technology
ICTR	International Criminal Tribunal for Rwanda
ICTY	International Tribunal for the Former Yugoslavia
IPSAS	International Public Sector Accounting Standards
ITC	International Trade Centre
OIOS	Office of Internal Oversight Services
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNITAR	United Nations Institute for Training and Research
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNU	United Nations University
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2015

Summary

The General Assembly, in its resolution 47/211, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources together with the measures taken by the relevant entities. The findings and conclusions included in the present report relate to the common themes and major issues identified in the Board's reports addressed to the General Assembly on 20 entities, including the United Nations peacekeeping operations and the United Nations Joint Staff Pension Fund (see annex I). The contents of the Board's reports to the Security Council and other governing bodies are not summarized herein.

The present report summarizes the major issues, including on performance matters, reported in the separate reports on the United Nations entities submitted to the General Assembly. Most of the issues contained in the present report are of a cross-cutting nature on the pre-determined audit themes based on established audit risks and special requests by the Advisory Committee on Administrative and Budgetary Questions.

I. Scope and mandate

1. The present report includes findings and conclusions identified in the Board's reports in 2015, addressed to the General Assembly, on 20 entities, including the United Nations peacekeeping operations[1] and the United Nations Joint Staff Pension Fund (see annex I). The General Assembly, in its resolutions 70/238 A and 70/248 A, stressed that the report of the Board of Auditors on the Pension Fund should be submitted separately to the Assembly, as is the case with other United Nations entities, and that a copy should continue to be annexed to the report of the United Nations Joint Staff Pension Board. The present report also includes relevant findings from four stand-alone reports produced in the same period.[2]

2. The Board has continued to provide information on the cross-entity issues, as requested by the Chair of the Advisory Committee on Administrative and Budgetary Questions on 27 January 2014 and reiterated on 19 February 2015, and on the understanding that the Committee still finds the presentation useful (see A/70/380).

3. The Board has therefore continued to report on thematic topics, key trends and cross-entity issues in its entity-level reports and included commentary in the present summary report on the following matters: employee benefit liabilities (sect. II.C), implementation of IPSAS and realization of benefits (sect. II.D), managing globally dispersed operations and risk management (sect. II.E), implementing partners (sect. II.F), fraud events, awareness and prevention measures (sect. II.G), cost-effective management of core business services (sect. II.H) and business transformation (sect. II.I).

II. Overall matters for the United Nations

A. Audit opinions

4. The Board of Auditors audited the financial statements and reviewed the operations of 20 organizations, including the United Nations peacekeeping operations and the United Nations Joint Staff Pension Fund (see annex I), in accordance with General Assembly resolution 74 (I) of 7 December 1946.

5. All 20 entities received unqualified audit opinions. Of those, ICTR received an unqualified opinion with an emphasis of matter for the second year to draw attention to the fact that it had ceased to be a going concern on 31 December 2015. The Tribunal finalized the last case under its mandate and was focusing on disposing of its assets, and thereafter amalgamating the remaining activities with the International Residual Mechanism for Criminal Tribunals, a process that was scheduled to end by 1 January 2017.

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[1] To better support the General Assembly in its governance role, the Board includes United Nations peacekeeping operations in the present report to provide a more comprehensive picture of major deficiencies identified in its reports. The peacekeeping operations have an annual financial cycle ending 30 June; therefore, the figures related to those operations are as at that date unless otherwise indicated.

[2] Annual reports of the Board on Umoja, the capital master plan, the strategic heritage plan of the United Nations Office at Geneva and progress in the handling of ICT affairs in the Secretariat.

6. The Board has issued short-form reports reflecting its audit opinions together with long-form reports, which contain detailed findings and recommendations arising from each audit (annex II contains an explanation of the types of audit opinions).

7. During the current year's audit, the financial statements of 11 entities[3] were submitted on 31 May 2016 (two months past the normal date) owing to challenges associated with the implementation of the new enterprise resource planning system (Umoja) within the United Nations. As a result of the delay in the submission of the financial statements, the Board issued audit opinions on the related financial statements in September and October 2016.

8. A growing number of United Nations entities continued to improve the preparation processes for financial statements closure and presentation since the adoption of IPSAS, which signifies the commitment of United Nations entities to delivering on their respective responsibilities for reporting the use of financial resources in accordance with the IPSAS framework. However, there were major delays in the preparation of materially correct financial statements for the operations of the United Nations as reported in volume I and for UNODC. The Secretariat needs to implement an improved and disciplined process for preparing the financial statements in 2016. There remains scope to further embed IPSAS and for Secretariat entities to make better use of Umoja to support the accounts preparation process.

B. Financial performance

Out-turn

9. Of the 19 audited entities,[4] 10 (ICTR, ICTY, UNEP, UNFPA, UN-Women, United Nations peacekeeping operations, UNITAR, United Nations (Vol. I), UNHCR and UNOPS) closed the financial year with a surplus, while 9 (International Residual Mechanism for Criminal Tribunals, United Nations Capital Development Fund, UNRWA, UNICEF, ITC, UNODC, UN-Habitat, UNDP and UNU) recorded a deficit. Of those nine entities, six[5] recorded a deficit in contrast to the surplus recorded in the previous financial year due to factors such as decrease in contributions, increase in end-of-service liabilities as a result of IPSAS adoption, recognition of a major part of the revenue in the first year of the biennium, and usage in 2015 of large balances of funds that were recognized in 2014. Of the 10 entities that closed the financial year with a surplus, 5 (ICTR, ICTY, United Nations peacekeeping operations, United Nations (Vol. I) and UNHCR) recorded a surplus in contrast to the deficit recorded in 2014. The surplus was a result of factors such as closure of operations for ICTR and late receipt of revenue for emergency operations in Iraq and the Syrian Arab Republic for UNHCR.

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[3] United Nations (Vol. I), ITC, UNEP, UN-Habitat, UNITAR, UNODC, UNU, ICTR, ICTY, International Residual Mechanism for Criminal Tribunals and United Nations Joint Staff Pension Fund.

[4] The United Nations Joint Staff Pension Fund is not included because it follows International Accounting Standard 26 for the reporting framework and IPSAS for accounting treatments.

[5] International Residual Mechanism for Criminal Tribunals, United Nations Capital Development Fund, UN-Habitat, UNRWA, UNICEF and ITC.

10. Table 1 shows a comparison of net assets in 2014 and 2015. The Board observed that the net assets of four entities[6] had increased compared with the previous year. For instance, net assets for UNICEF increased as a result of an increase in reserves, due mainly to actuarial gains, while the improvement for UNITAR was the result of reduced surplus offset by actuarial savings in the valuation of employee benefit liabilities. Of the 11 entities that showed declining reserves in 2014, 8 (ICTR, ICTY, UNDP, UNHCR, UNFPA, UNODC, UNOPS and United Nations (Vol. I)) reported increased net assets in the year under review. The increase is attributed to the decrease in liabilities, significant levels of donations received at year-end for emergencies, impact of increased surplus and significant actuarial savings in the valuation of employee benefit liabilities.

11. However, seven entities[7] recorded declining net assets, three of them (United Nations peacekeeping operations, UNU and ITC) for successive years. If adequate measures are not taken, the trend may weaken the financial reserves, which could have a negative impact on the overall financial health of the entities and their ability to meet part of their liabilities. The recorded net assets decline in 2015 was attributed mainly to factors such as the increase in total liabilities, the decline in voluntary contributions, and prior-year adjustments.

Table 1
Net assets held as at 31 December 2015
(Thousands of United States dollars)

	Net assets		*Variance increase (decrease)*		
Entity	*December 2015*	*December 2014 restated*	*Percentage*	*Increased declined*	*Reasons for the variance*
United Nations (Vol. I)	2 498 804	1 683 657	48.42	Increased	Impact of increased surplus and significant actuarial savings in the valuation of employee benefit liabilities
United Nations peacekeeping operations	933 026	954 507	(2.25)	Declined	Increase in total liabilities is greater than the increase in total assets
ITC	(414)	16 574	(102.50)	Declined	Deficit in year arising from a decline in voluntary contributions while expenses remained constant
United Nations Capital Development Fund	107 091	109 870	(2.53)	Declined	Deficit of $8.3 million due mainly to utilization of non-core cash balances carried forward from the previous years, as well as disbursement of funds with specific purposes amounting to $1.3 million, including security, ICT, learning and other payroll deductions, which were collected from payroll and never paid
UNDP	4 270 136	4 224 260	1.09	Increased	Increase in net assets was due mainly to a decrease in liabilities and an increase in accumulated surplus (reserve)

[6] UNEP, UN-Women, UNICEF and UNITAR.
[7] International Residual Mechanism for Criminal Tribunals, United Nations Capital Development Fund, UN-Habitat, UNRWA, United Nations peacekeeping operations, UNU and ITC.

Entity	Net assets		Variance increase (decrease)		Reasons for the variance
	December 2015	December 2014 restated	Percentage	Increased declined	
UNEP	1 305 943	1 136 568	14.90	Increased	Cumulative expenses reported by UNIDO reduced by $30.8 million, and current year surplus
UNFPA	794 372	727 430	9.20	Increased	Improvement is explained mainly by the increase in contributions receivable and decrease in liabilities caused by decrease in funds that UNFPA held on behalf of other United Nations organizations; in addition, the increase in the discount rate for after-service health insurance liability from 4.0 per cent in 2014 to 4.4 per cent in 2015 and decrease in health-care cost trend rates for non-United States medical plans from 5.0 per cent in 2014 to 4.0 per cent in 2015 contributed to the improvement
UN-Habitat	310 359	323 227	(3.98)	Declined	Prior-year adjustments of $13.3 million
UNICEF	4 631 026	4 468 435	3.64	Increased	Increase in net assets was on account of increase in reserves, due mainly to actuarial gains
UNITAR	21 097	16 012	31.76	Increased	Impact of reduced surplus offset by actuarial savings in the valuation of employee benefit liabilities
UNHCR	1 456 148	1 116 624	30.41	Increased	Significant levels of donations received at year-end for emergencies in Iraq and the Syrian Arab Republic
UNODC	453 005	433 726	4.44	Increased	Impact of adjustment to aggregate employee liabilities
UNOPS	99 191	83 031	19.46	Increased	Surplus in year
UNRWA	196 103	328 677	(40.34)	Declined	Decline is due to increase in staff termination liabilities (end-of-service liability) recognized in the financial statements as a result of IPSAS adoption in 2012
UNU	447 629	452 723	(1.13)	Declined	Decrease in the net asset was on account of decrease in assets, especially investments
UN-Women	358 512	345 647	3.72	Increased	Increased assets and reduced liabilities
ICTR	7 989	(24 712)	132.33	Increased	Accumulated surplus has increased
ICTY	29 108	6 287	362.99	Increased	Not given
International Residual Mechanism for Criminal Tribunals	5 340	31 226	(82.90)	Declined	Not given

Source: 2014 and 2015 financial statements for United Nations organizations.

Ratios

12. Ratio analysis provides an assessment of the financial sustainability and liquidity across United Nations entities (table 2). In general, a ratio of 1:1 is considered to be a sound indicator of financial sustainability.

13. All 19 entities[8] demonstrated solvency in that they are able to meet their long-term liabilities. However, UNOPS, the United Nations peacekeeping operations and the International Residual Mechanism for Criminal Tribunals have liquidity ratios of less than 1:1, which represent a slightly weakness in financial sustainability. The Board notes that the current ratio (0.85), quick ratio (0.84) and cash ratio (0.82) of UNOPS were below 1. Although this would normally indicate financial weakness, the trend reflects a continued policy of longer-term investments that can be liquidated at any time. These investments are not reflected in the ratio calculation but provide sufficient liquidity to meet its operational needs if required.

14. The following entities show that all ratios have increased from the previous period: UNFPA, UNICEF, UNHCR, UNU, UNITAR, United Nations (Vol. I), UN-Habitat, ICTY, ICTR and UNEP. In contrast, most ratios for UNRWA, UN-Women, the United Nations Capital Development Fund, the International Residual Mechanism for Criminal Tribunals and ITC have declined, compared with 2014. The slight overall decline, compared with 2014, occurred as a result of the increased provisions for after-service health insurance and the requirement under IPSAS to assess the benefit obligation value on the basis of external factors such as inflation rates and discount rates used in actuarial valuation. Despite the decline, the ratios for UN-Women and the United Nations Capital Development Fund continue to remain relatively high.

Table 2
Ratio analysis as at 31 December 2015

	Total assets: total liabilities[a]		*Current ratio*[b] *Current assets : current liabilities*		*Quick ratio*[c] *Cash + short-term investments + accounts receivable: current liabilities*		*Cash ratio*[d] *Cash + short-term investments: current liabilities*	
Entity	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
United Nations (Vol. I)	1.48	1.29	2.89	2.72	2.57	2.35	1.77	1.50
United Nations peacekeeping operations	1.21	1.25	1.09	0.97	0.96	0.80	0.56	0.51
ITC	0.99	1.14	2.76	2.84	2.66	2.76	1.29	1.26
United Nations Capital Development Fund	10.25	7.62	17.99	22.50	18.19	22.04	15.61	17.35
UNDP	2.99	2.82	3.59	3.65	3.41	3.37	3.18	3.13
UNEP	4.93	3.79	4.80	3.90	3.46	2.78	2.13	1.61
UNFPA	2.88	2.30	4.47	2.50	3.79	2.10	2.59	1.70
UN-Habitat	4.35	3.89	5.58	4.72	4.90	3.40	2.26	1.03
UNICEF	2.11	2.04	2.80	2.79	2.04	2.01	1.40	1.33
UNITAR	3.02	2.14	12.83	4.93	11.68	4.70	7.56	2.95
UNHCR	2.69	2.26	8.61	6.87	7.54	5.65	4.57	3.13
UNODC	2.46	2.30	3.04	3.10	2.95	1.96	1.72	1.62
UNOPS	1.07	1.07	0.85	0.63	0.84	0.62	0.82	0.56

[8] The United Nations Joint Staff Pension Fund was not included in the analysis owing to its differing nature of operations.

Entity	*Total assets: total liabilities*[a]		*Current ratio*[b] *Current assets: current liabilities*		*Quick ratio*[c] *Cash + short-term investments + accounts receivable: current liabilities*		*Cash ratio*[d] *Cash + short-term investments: current liabilities*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
UNRWA	1.24	1.48	2.63	3.10	1.74	2.09	1.56	1.83
UNU	7.43	6.63	8.83	7.47	8.75	7.43	7.35	7.16
UN-Women	4.95	5.23	8.83	12.55	7.50	10.3	7.10	9.87
ICTR	1.12	0.69	5.16	2.34	5.05	2.16	2.35	1.45
ICTY	1.36	1.07	7.11	5.30	7.06	5.20	4.27	3.30
International Residual Mechanism for Criminal Tribunals	1.08	2.63	0.85	3.96	0.81	3.92	0.79	3.54

Source: Board analysis of financial statements.

Note: ratios have been rounded to two decimal places.

[a] A high ratio is a good indicator of solvency.

[b] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets that are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity that measures the amount of cash, cash equivalents and invested funds there are in current assets to cover current liabilities.

15. The ratios movement, assets position and results of entities' operations in the form of surplus and deficits are partly the result of reserves that the entities maintain. In its previous report, the Advisory Committee on Administrative and Budgetary Questions highlighted that it continued to note the lack of explicit guidelines concerning appropriate standards for the recommended level of reserves across United Nations entities. The Committee stated that, while it acknowledged the need for a conservative approach to maintaining reserve levels, particularly for those entities which were funded primarily from voluntary resources or with multi-year commitments, it trusted that care would be taken to expend funds expeditiously so as to ensure their use for their intended purpose.

16. The Board conducted a general review of entities' bases for their decisions with regard to maintaining their reserves and practices across the entities in managing reserves, and confirmed that the position reflected in the Committee report had not changed. Some of the bases for reserve-related decisions and practices were noted, as presented below.

17. UNFPA set the level of its operational reserve at 20 per cent of unearmarked resources contribution revenue for each year of the UNFPA workplan, according to its Financial Regulations and Rules and Executive Board. The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. In the year ended 31 December 2015, given net contribution revenue of $392.0 million, the operational reserve was $78.4 million. UNFPA also operates a reserve for field accommodation, which was established by its Governing Council in 1991. The reserve was set at $5.0 million for the biennium 1992-1993.

The Executive Director is authorized to make drawdowns from it for the purpose of financing the UNFPA share of construction costs for common premises under the auspices of the Joint Consultative Group on Policy. Field accommodation expenses incurred in 2015 were $0.4 million. As at 31 December 2015, $0.4 million have been transferred from unexpended resources to replenish the reserve for field accommodation.

18. The operational reserve of the United Nations Capital Development Fund was established in 1979 by its Governing Council (now the Executive Board) to ensure that adequate liquidity for the Fund is maintained at the level of 20 per cent of project commitments. The project commitments at the end of 2015 were $61.96 million, and thus the operational reserve set aside is $12.39 million, which is 20 per cent of the commitments. In addition, management established a reserve of $2 million from extrabudgetary resources to cover staff costs in case of a situation of resource variability.

19. UNDP maintains liquidity reserves to meet the three-month minimum liquidity requirement for regular resources in 2015, maintaining a liquidity reserve of 3.6 months of average expenses, within the minimum threshold of liquidity in line with the Executive Board requirement.

20. UNOPS maintains operational reserves equivalent to four months of the average of the administrative expenditure for the past three years of operation, based on the decision of its Executive Board. For the period ended 31 December 2015, the operational reserves requirement was $20.1 million. The actual UNOPS operational reserves for the same period amounted to $102.4 million. The main purpose of the operational reserves is to provide for temporary deficits, fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in expenses and costs or any other contingencies, and to ensure continuity in the implementation of the projects undertaken by UNOPS.

21. The United Nations High Commissioner for Refugees may, in the case of new needs that cannot be fully met from the operational reserve, approve supplementary budgets under the biennial programme budget, with such adjustments being reported to each subsequent meeting of the Standing Committee. The operational reserve is utilized to provide assistance to refugees, returnees and displaced persons for which there is no provision in the programmes and projects approved by the Executive Committee. The reserve is maintained at not less than $10 million by replenishments from the Working Capital and Guarantee Fund. The new or additional activities — mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at $50 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For the financial period 2015, the Executive Committee set the level of the new or additional activities — mandate-related reserve at $20 million. Management informed the Board that in 2015 the Working Capital Fund was maintained and funded at $50 million. In addition, in October 2016 the Executive Committee approved an increase to the Working Capital Fund ceiling up to a level of $100 million; funding is currently at $75 million.

22. The Board understands that most of the decisions and practices are based on the mandate of the entities and the nature of their operations, but it will continue to review the reserve to ensure that they are being used expeditiously and meet the intended purposes.

C. Employee benefit liabilities

23. The United Nations and its funds and programmes fully disclosed employee benefit liabilities in the financial statements. The Board's analysis of the actuarial valuation of accrued end-of-service and post-employment liabilities, which include after-service health insurance and untaken/unavailed leave, for the 20 entities is summarized in table 3 below.

Table 3
Employee benefit liabilities in the United Nations and its funds and programmes
(Thousands of United States dollars)

	Employee benefit liabilities[a]			*After-service health insurance*			*Untaken unavailed leave*			
Entity	*2015*	*2014*	*Increase (decrease) (percentage)*	*2015*	*2014*	*Increase (decrease) (percentage)*	*2015*	*2014*	*Increase (decrease) (percentage)*	*Has a funding plan*
United Nations (Vol. I)	4 180 325	4 786 176	(13)	3 626 616	4 178 673	(13)	188 256	252 348	(25)	No
United Nations peacekeeping operations	1 587 254	1 420 431	12	1 192 338	1 036 607	15	134 073	130 998	2	No
ITC	78 767	90 272	(13)	63 711	79 845	(20)	8 810	4 610	91	No
United Nations Capital Development Fund	9 749	16 075	(39)	5 208	10 948	(52)	1 963	1 866	5	Yes
UNDP	1 254 611	1 413 106	(11)	954 121	1 141 510	(16)	88 759	86 808	2	Yes
UNEP	137 300	165 877	(17)	92 329	121 186	(24)	16 142	20 917	(23)	No
UNFPA	302 663	332 084	(9)	246 966	282 022	(12)	25 815	25 206	2	Yes
UN-Habitat	38 533	35 857	7	25 226	24 750	2	5 297	5 389	(2)	No
UNICEF	1 136 241	1 298 294	(12)	928 440	1 081 082	(14)	93 835	94 535	(1)	Yes
UNITAR	8 574	10 564	(19)	6 450	7 838	(18)	1 016	1 293	21	Yes
UNHCR	701 905	710 518	(1)	546 485	545 477	0.2	61 601	62 485	1	Yes
United Nations Joint Staff Pension Fund	70 358	76 992	(9)	63 138	68 717	(8)	3 958	5 175		Yes
UNODC	101 904	119 065	(14)	74 831	94 221	(21)	6 879	8 218	(16)	Yes[b]
UNOPS	89 068	87 069	2	54 432	52 308	4	17 806	16 442	8	Yes
UNRWA	697 437	560 268	24	N/A	N/A	N/A	43 617	32 869	33	No
UNU	13 312	18 107	(26)	7 671	11 799	(35)	2652	2 866	(7)	Yes
UN-Women	74 461	73 161	2	46 691	53 204	(12)	8 843	7 158	24	Yes

Entity	Employee benefit liabilities[a]			After-service health insurance			Untaken unavailed leave			
	2015	2014	Increase (decrease) (percentage)	2015	2014	Increase (decrease) (percentage)	2015	2014	Increase (decrease) (percentage)	Has a funding plan
ICTR	37 720	55 281	(32)	33 748	41 153	(18)	–	3 835	(100)	No
ICTY	45 456	54 255	(16)	31 327	36 684	(15)	3 919	6 586	(40)	No
International Residual Mechanism for Criminal Tribunals	14 535	12 196	19	9 178	7 798	18	1 844	1 870	(1)	No
Total	**10 580 173**	**11 335 648**		**8 008 906**	**8 875 822**		**715 093**	**771 474**		

Source: Financial statements for 2014 and 2015.

[a] Includes after-service health insurance.

[b] For staff funded from extrabudgetary resources only.

24. The analysis shows that the aggregate amount of the employee benefit liabilities decreased by 7 per cent in 2015 from $11.34 billion as at 31 December 2014 to $10.58 billion as at 31 December 2015. The decrease is broadly attributed to the change in inflation rates and discount rates used in actuarial valuations.

25. In the year under review, discount rates, inflation rates and health-care trend rates have continued to be the basis of the key actuarial assumptions for most entities in the calculations of after-service liabilities. The Board noted that 14 entities[9] had a decreasing trend in after-service health insurance liabilities reported in 2015 compared with 2014 due to the impact of changing actuarial assumptions, in particular discount rates, inflation rates and health-care costs. For example, for UNFPA the decrease in after-service health insurance was due to changes in financial assumptions, such as the increase in discount rates for the after-service health insurance liability from 4.0 per cent in 2014 to 4.4 per cent in 2015 and the decrease of the projected growth rate in health-care costs for non-United States medical plans from 5.0 per cent in 2014 to 4.0 per cent in 2015. Similar reasons were provided by other entities, such as the United Nations Joint Staff Pension Fund. The Board also observed that the aggregate amount of untaken/unavailed leave had decreased from $770.61 million in 2014 to $714.29 million in 2015 (a decrease of 7 per cent). The Board considers that the decreasing trends do not reduce the need for proper plans to fund the liabilities because the actuarial assumptions are updated based on market data, and when the markets are unfavourable there is a risk that the liability can grow and become unsustainable. Over time, these liabilities will also begin to consume an increasing portion of resources, and in the event that an entity were to significantly reduce its programmes or close down, it would be difficult to meet these liabilities from existing resources.

[9] UNICEF, UNFPA, UN-Women, UNDP, United Nations Capital Development Fund, UNU, UNITAR, ICTY, ICTR, UNEP, ITC, United Nations (Vol. I), UNODC and United Nations Joint Staff Pension Fund.

26. In addition, the Board noted that six entities[10] had exhibited increases in their employee benefit liabilities. UNRWA explained that the increasing trend was due primarily to the revision of the discount rate from 4.75 per cent to 4.32 per cent to reflect the decrease in the interest rates for long-term United States government bonds and corporate bonds.

27. The Board is aware of General Assembly resolution 70/244 of 23 December 2015, in which the Assembly approved certain changes to conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission. Some of the changes that have an impact on the calculation of other long-term and end-of-service employee benefit liabilities are: increase in the mandatory age of separation; unified salary structure and elimination of single and dependency rates, with the dependency rate to be replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations and Rules of the United Nations; the repatriation benefit; and revised eligibility for the repatriation grant from one year to five years for prospective employees (with current employees retaining the one-year eligibility), which will have effects on liabilities calculations with respect to future employees.

D. Implementation of the International Public Sector Accounting Standards and realization of benefits

28. The Board has assessed the implementation of IPSAS and noted satisfactory improvement whereby almost all of the entities have high-quality accounting policies that are IPSAS-compliant and most entities now produce high-quality financial statements, use the data emanating from IPSAS for decision-making and can demonstrate to stakeholders the qualitative and quantitative benefit of IPSAS adoption (see table 4). Despite the achievements, some entities exhibited a few areas in need of improvement, for example applying IPSAS to the valuation of inventories and addressing the non-establishment of a mechanism or process to capture all relevant costs of internally developed software systems to facilitate capitalization of intangible assets. Other entities such as those implementing Umoja need to further develop processes to ensure that the system can fully support the production of timely financial statements with an adequate supporting audit trail. At organizations such as UNODC and in the operations of the United Nations as reported in volume I, there continued to be significant dependence on manual spreadsheets and journals to compile the required information, which resulted in a high level of pressure being placed on finance teams.

[10] UNRWA, UNHCR, UNOPS, United Nations peacekeeping operations, UN-Habitat and International Residual Mechanism for Criminal Tribunals.

Table 4
Implementation of the International Public Sector Accounting Standards and realization of benefits

Entity	*Quality of accounting policies*	*Ability to produce timely, high-quality financial statements*	*Have a benefit realization plan*	*Use IPSAS-generated information for decision-making*	*Other matters weaknesses observed*
United Nations (Vol. I)	Satisfactory	Not satisfactory (owing to the impact of Umoja implementation and delays in receiving supporting information)	Yes	No	No
United Nations peacekeeping operations	Satisfactory	Satisfactory	No	Yes	No
ITC	Satisfactory	Not satisfactory (owing mainly to Umoja implementation)	Yes, albeit very limited	No	Yes, extensive use of spreadsheets and manual journals (not automated process)
United Nations Capital Development Fund	Satisfactory	Satisfactory	Yes	Yes	No
UNDP	Satisfactory	Satisfactory	Yes	Yes	From 1 January 2015, UNDP has capitalized all project assets in 2015. The capitalization of these assets was postponed when UNDP adopted IPSAS in 2012. In that case, a total of 2,800 assets with a carrying amount of $22.6 million have been recognized in the financial statements for the year ended 31 December 2015
UNEP	Satisfactory	Satisfactory	No[a]	No	No

Entity	*Quality of accounting policies*	*Ability to produce timely, high-quality financial statements*	*Have a benefit realization plan*	*Use IPSAS-generated information for decision-making*	*Other matters weaknesses observed*
UNFPA	Satisfactory	Satisfactory	Yes	Yes	Non-establishment of a mechanism or process to capture all relevant costs of internally developed software systems to facilitate capitalization of intangible assets
UN-Habitat	Satisfactory	Satisfactory	No[a]	No	No
UNICEF	Satisfactory	Satisfactory	Yes	Yes	No
UNITAR	Satisfactory	Satisfactory	No	No	Lack of in-house resources to prepare financial statements
UNHCR	Satisfactory	Satisfactory	Yes	Yes	No
UNODC	Satisfactory	Not satisfactory (owing to impacts of Umoja implementation and delays in supporting data from the programmes)	No[a]	No	Although IPSAS is now in its second year, it is not yet fully embedded. The demands of the implementation of a new system highlighted some processes' weaknesses, combined with a complex trail from old legacy systems. This made the audit trail inefficient and prone to error in areas such as voluntary contributions and accruals, which remained manual processes
UNOPS	Satisfactory	Satisfactory	Yes		No
UNRWA	Satisfactory	Satisfactory	Yes	Yes	Areas for improvement such as valuation of inventories and financial derivative at year-end
UNU	Satisfactory	Satisfactory	Yes	Yes	No
UN-Women	Satisfactory	Satisfactory	Yes	Yes	No
ICTR	Satisfactory	Not satisfactory (owing	No[a]	Yes	The entity has ceased to

Entity	*Quality of accounting policies*	*Ability to produce timely, high-quality financial statements*	*Have a benefit realization plan*	*Use IPSAS-generated information for decision-making*	*Other matters weaknesses observed*
		mainly to Umoja implementation)			be a going concern after closing down its operations on 31 December 2015
ICTY	Satisfactory	Satisfactory	No[a]	Yes	No
International Residual Mechanism for Criminal Tribunals	Satisfactory	Satisfactory	No[a]	Yes	No

Source: Board reports 2015.

Key:

Satisfactory: no substantial deficiencies were noted either in any financial statement line items or in the format of the presentation.

Not satisfactory: several material misstatements or deficiencies were noted and rectified post audit.

[a] Management informed the Board that IPSAS benefit realization was not tracked at the entity level and that the benefits realized were provided directly to United Nations Headquarters for consolidation purposes.

E. Managing globally dispersed operations and risk management

29. The Board has continued to assess how United Nations organizations manage globally dispersed operations and associated risks in the delivery of their objectives. The Board considers these to be crucial aspects in ensuring that the entities discharge their mandate successfully.

Managing globally dispersed operations

30. The United Nations and its funds and programmes have continued to evolve as decentralized organizations and therefore still face challenges in oversight, accountability and governance for globally dispersed operations. While entities record progress in this area, the Board has continued to note the need for enhanced control frameworks to manage the risks in diverse fields of operations. For example, UNHCR continues to make good progress in implementing fraud risk assessments and is planning well for its new enterprise resource planning system upgrade. It is using a range of new initiatives to develop its service provision, including such initiatives as cash-based assistance, global fleet management and biometric registration. However, the Board observed that more could be done to evaluate the success of those initiatives and to better assess their cost-effectiveness. Similarly, the Board supported efforts by UNHCR to improve the assurance over the data collected in respect of refugees and persons of concern, utilizing new upgrades to the data collection systems. Together with improved focus on a more efficient and focused budget process, UNHCR will be able to better ensure that resources are focused more efficiently and effectively.

31. UNODC has implemented change initiatives across its business with the further development of full cost recovery to better assess the costs of its project activity, and using the data to inform improved decision-making. The Board noted that, while the implementation of Umoja would enhance the data to support those decisions, the overall process to implement full cost recovery had been delayed until 2018. Early signs from the implementation of Umoja are that it is enhancing the visibility of field operations, which will improve the oversight and compliance of operations, which in turn ultimately addresses the concerns that the Board had raised in respect of its old legacy systems. While the Board noted the continued commitment to the Framework on the Engagement of External Parties, UNODC has recognized the need to review its operation to ensure that it best meets the needs of the business while ensuring a suitable compliance framework.

32. In UNOPS, each field office is accountable to regional offices, which are in turn accountable to headquarters. Directors/managers provide feedback to the centre through quarterly assurance updates, and senior management reviews information at the regional office level. The existing arrangements for approving proposed engagements are not sufficiently robust. The senior-level forum (the Engagement Acceptance Committee) for advising the Executive Director on whether to approve proposed engagements could be used more effectively to consider at an early stage those engagements with the highest risks to UNOPS. In this case, the Board found that some legal agreements were signed before the new engagement had been authorized, although this did not have an impact on the Board's assessment of regularity or the use of funds.

33. UNDP reorganized itself within headquarters and at the regional level. The initiatives involved the refinement of service delivery models and re-engineering of business processes within all bureaux. Some functions, such as the accounting, administrative, transactional and analytical functions of the Office of Financial Resources Management, were transferred to Kuala Lumpur at the Global Shared Service Centre, and global procurement functions for select procurement categories were also established at the Centre.

34. UNFPA introduced its global programming system in November 2014 for the management of workplans to simplify their monitoring, and shipment tracking software to monitor inventory, which accounts for a substantial proportion of the entity's procurement. Some challenges, such as mismatching of information and non-financial information not being included in the system, were noted by the Board in these areas. However, the initiatives were still crucial for the organization's effort in managing its globally dispersed operation. Furthermore, UNFPA was decentralizing its operations and needed a business case for that purpose, as well as guidelines for decentralized offices to clearly define and outline their arrangements for decentralizing. It also needed to include the structure of the decentralized offices in the country offices.

35. UNICEF partners with 34 National Committees for advocacy and mobilization of resources for UNICEF. The relationship between the National Committees (independent non-governmental organizations) and UNICEF are regulated by cooperation agreements signed between UNICEF and each National Committee. The reserves guidance for National Committees draws reference to cooperation agreements between UNICEF and the National Committees, which provide that the

National Committees shall adopt a reserves policy that is in accordance with national legislation and the Committees' statutes and that such reserve levels should be reasonable, taking into account the requirement of funds to be transferred for the support of UNICEF activities and programmes.

36. However, the Board noted that 10 National Committees had retention levels of reserves (excluding statutory reserves and earmarked/restricted non-statutory reserves) in excess of the stipulation in their respective reserve policies,[11] and the Board is of the view that the retention of higher levels of reserves than the limits prescribed by National Committees deprives UNICEF of necessary funds for its programmes for children.

Enterprise risk management

37. Enterprise risk management is a systematic process through which risks and opportunities that affect an organization and its ability to achieve its objectives are identified, prioritized and managed.

38. The Board continues to view enterprise risk management as a fundamental strategic management process, noting that United Nations entities are at different stages of implementation. For example, UNOPS has developed a new risk management model and delivery plan, although this has yet to be fully rolled out; UNFPA needs to document its risk assessment process and establish comprehensive risk assessment plans for strategic risks and the risk of fraud. In addition, UNFPA needs to develop long-term methodologies, criteria, risk matrices and a time frame for addressing the established risks. UN-Women is piloting its approach and has developed risk registers but is still in the process of developing modules to facilitate reporting of risk. UNHCR, UNRWA and UNICEF have implemented enterprise risk management, but challenges remain. UNHCR has developed strategic and corporate risk registers, but those currently need to be more closely aligned and used to inform decision-making. The registers need to be better utilized by country offices, with good practice being shared more widely.

39. For UNITAR, the Board found that enterprise risk management was not effective, and with respect to United Nations operations as reported in volume I, the Board observed that the progress had slowed in the United Nations Secretariat and that there was no plan to embed enterprise risk management throughout the Organization as mandated by the General Assembly. UNODC has made progress in developing a comprehensive system of risk management, completing the process of surveying its field operations. However, there remains a need to integrate the divisional, regional and country office risk registers. Further work is also needed to ensure that the risks and associated mitigation are kept under regular review to ensure that they remain relevant.

[11] Six National Committees' excess reserves were, for certain reasons, acceptable to UNICEF.

F. Implementing partners

40. Management of the implementing partners is vital within the United Nations system entities because such partners are a critical part of the service delivery model for most of the entities owing mainly to logistical, geographical, administrative or other reasons. In such an arrangement, the United Nations has been facing a number of challenges depending on factors such as the nature of the operation or the types of partners, which include non-governmental organizations, Governments or United Nations agencies. Proper management of implementing partners becomes even more important because the agencies have to demonstrate to key stakeholders, including their governing bodies, member States and donors, that the funds provided have been used for the purposes intended, the risk of fraud and error is minimal and the funds have delivered the desired outcomes in a cost-effective manner.

Implementing partners' assurance frameworks

41. During the year under review, the Board noted that most of the entities, including UNITAR UNDP, UNHCR, UNODC and UNFPA, have developed sound procedures for managing implementing partners at each step of the processes, including capacity assessments, selection, monitoring and evaluation of the performance. However, the Board identified scope for improvements in the management of programmes and projects, in particular in the selection, monitoring and close-out of projects delivered by implementing partners, and the need to deepen the harmonized approach to cash transfers framework reintroduced in 2014 among United Nations funds and programmes. At UNDP, the Board found that compliance with the revised framework became mandatory from 1 January 2015 for all country offices. While positive progress was made by country offices towards implementation of the revised framework, the Board identified a number of weaknesses, such as macroassessments not being performed or included in the United Nations Development Assistance Framework reviews, non-preparation or delays in the preparation of microassessment plans, and delays in the submission of information or submission of incomplete information on the assurance activity plans under the harmonized approach to cash transfers.

42. For UNICEF, the Board found that all the country offices had assurance plans. However, although UNICEF reported high achievement in the implementation of the assurance plans in 2015, the West and Central African region, which received $483 million (29 per cent of the direct cash transfers to implementing partners), recorded unsatisfactory achievement against programmatic visits, spot checks and scheduled audits, reporting 60 per cent, 63 per cent and 42 per cent, respectively.

43. In addition, the Board found that, although the Office for the Coordination of Humanitarian Affairs of the Secretariat had developed a well-designed and comprehensive assurance framework around implementing partners, it was not yet fully embedded. In particular, the Office needed to improve the central oversight and collation at Headquarters of the results of the various assurance mechanisms put in place to demonstrate that the planned level of assurance over the activities of implementing partners had been achieved.

Financial closure of projects

44. The Board noted recurring delays in the financial closure of projects in UNDP, the United Nations Capital Development Fund, UNFPA and UN-Women for projects that were closed operationally. For example, at UN-Women the delay reached up to 12 months from the projects' operational closure. In projects that were financially closed, the Board found some that lacked the final combined delivery reports and project completion checklists as required under regulations. The deficiencies limit management and audit assurance over the expenditure of the closed projects.

Management of scope for cost-efficiencies

45. In UNODC, the management committed to reviewing its Framework on the Engagement of External Parties, initiated in 2014 to improve its operability with regard to engagements with government partners. Furthermore, the Board identified scope for United Nations entities to better manage the scope for cost-efficiencies by its implementing partners, and made specific recommendations at UNHCR to more specifically challenge and demonstrate the cost-efficiencies secured from its discussions with implementing partners.

Use of information

46. Good information is vital to management in making the right decision when approving a project and in selecting the partner to deliver it. In its previous summary report, the Board raised concerns that United Nations entities operating in the same regions, many using the same third parties, had no formal mechanism to share information on partner performance. Although some progress has been made by the United Nations Development Group and the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination in terms of planning, there remains no formal requirement for sharing information on the performance of implementing partners. This therefore remains an area of concern.

G. Fraud events, awareness and prevention measures

47. The Board has continued to review the robustness of the United Nations entities' anti-fraud approaches by using data supplied by management (table 5). The Board has also been working with United Nations organizations to ensure that there is a consistent approach to reporting. In this regard, for instance, the Board noted that the working group on the policy framework for fraud had so far not taken into account the definition of presumptive fraud in accordance with the Board's expectations, only that the Board representatives (Audit Operations Committee) were informed that the Secretariat would work with OIOS to arrive at a definition of presumptive fraud in parallel with the process of obtaining approval from the Office of Legal Affairs on the policy guidance on fraud for the Secretariat.

48. The analysis from the table below shows that the number of fraud and presumptive fraud cases reported by the United Nations peacekeeping operations, UNDP, UNFPA, UNHCR, UNOPS, UNRWA and UN-Women increased in 2015 compared with 2014. However, the value of fraud cases reported for the year under

review ($4.64 million) represents 0.01 per cent of the amount of the total expenses reported by the entities in 2015 ($34.945 million), which in the Board's opinion is small. Therefore, the Board shares the view of the Joint Inspection Unit expressed in its report (JIU/REP/2016/4) that the level of fraud reported by the United Nations system is unusually low, considering the scale and complexity of the United Nations system operations and the high-risk environment in which these operations take place, that is, underreporting and/or non-detection in the United Nations system could be significant and endemic.

49. In addition, the United Nations peacekeeping operations, UNFPA, UNRWA and UN-Women could not specify whether they have been successful in recovering any amount from fraud losses; in addition, UN-Women could not specify the value of the fraud cases reported on their financial statements. This means that the United Nations and its funds and programmes need to strengthen the existing fraud reporting and monitoring mechanisms.

50. The Board also noted that UNOPS, UNODC, UN-Women, the United Nations (Vol. I), the United Nations Joint Staff Pension Fund (Investment Management Division), ICTY and the International Residual Mechanism for Criminal Tribunals did not have adequate anti-fraud implementation strategies in place, although they possessed fraud policies, conducted fraud awareness training and had reporting and monitoring mechanisms in place. The Board notes that UNHCR is being proactive in assessing fraud risks and in planning training for its staff.

51. ITC, UNEP, UNODC, UN-Habitat, UNU, UNITAR, ICTR, ICTY and the International Residual Mechanism for Criminal Tribunals showed that they depended on OIOS for investigations relating to fraud cases.

52. While all entities reviewed showed that they had reporting and monitoring mechanisms in place, the Board noted that 12 entities[12] (60 per cent) had not allocated resources for anti-fraud measures and activities. The Board is of the view that allocation of resources for anti-fraud measures and activities might set the right tone that the organization is committed to tackling fraud and that it supports anti-fraud policies and related anti-fraud activities. The Board notes also that United Nations system organizations recover relatively small amounts of funds from those perpetrating fraud and that entities rarely take legal action to enforce prosecution by local law enforcement bodies.

[12] United Nations peacekeeping operations, ITC, UNFPA, UN-Habitat, UNICEF, UNITAR, United Nations Joint Staff Pension Fund, UNODC, UNU, ICTR, ICTY and International Residual Mechanism for Criminal Tribunals.

Table 5

Fraud events, awareness and prevention measures

(Thousands of United States dollars)

Entity	Number of fraud and presumptive fraud cases 2015	2014	Value of fraud cases 2015	Total expenses 2015	Amount recovered from fraud losses 2015	Has a policy on fraud	Has fraud awareness and training	Has reporting and monitoring mechanisms	Has resources allocated for anti-fraud measures and activities	Has investigative capacity and capability	Has mechanism for recovery of damages, losses and assets	Has an adequate strategy in place
United Nations (Vol. I)	–	2	N/A	5 613 140	–	Yes	Yes	Yes	Yes	Yes	Yes	No
United Nations peacekeeping operations	52	39	338	8 759 159	Not reported	Yes	Yes	Yes	No	Yes	Yes	Yes
ITC	–	–	N/A	102 654	N/A	Yes	Limited (given the level of risk)	Yes	No	Yes[a]	Yes	Yes
United Nations Capital Development Fund	–	–	N/A	66 730	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes
UNDP	56	7	2 900	5 057 414	56	Yes	Yes	Yes	Yes	Yes	Yes	Yes
UNEP	–	2	19	559 703	N/A	Yes	Yes			Yes[a]	No	Yes
UNFPA	26	9	120	977 376	Not reported	Yes	Yes	Yes	No	Yes	Yes	Yes
UN-Habitat	1	1	243	167 062	3	Yes	No	Yes	No	Yes[a]	No	Yes
UNICEF	16	38	790	5 095 649	25	Yes	Yes	Yes	No	Yes	Yes	Yes
UNITAR	–	–	N/A	23 473	N/A	Yes	No	Yes	No	Yes[a]	Yes	Yes
UNHCR	12	6	200	3 278 872	–	Yes	Yes	Yes	Yes	Yes	Yes	yes
United Nations Joint Staff Pension Fund	–	–	–	2 423 874	–	No[b]	Yes	Yes	No	Yes	Yes	No
UNODC	1	1	–	278 919	18	Yes	No	Yes	No	Yes[a]	Yes	No
UNOPS	47[c]	34[c]	32	671 526	5	Yes	Yes	Yes	Yes	Yes	Yes	No
UNRWA	41	11	Not given	1 333 775	Not reported	Yes	Yes	Yes	Yes	Yes	No	Yes
UNU	–	–	N/A	74 632	N/A	Yes	Yes	Yes	No	Yes[a]	Yes	Yes
UN-Women	10	4	Not reported	314 974	Not reported	Yes	Yes	Yes	Yes	Yes	Yes	No
ICTR	–	–	N/A	30 594	N/A	No	No	Yes		Yes[a]	No	No
ICTY	–	–	N/A	80 059	N/A	Yes	Yes	Yes	No	Yes[a]	Yes	No

Entity	*Number of fraud and presumptive fraud cases* 2015	2014	*Value of fraud cases* 2015	*Total expenses* 2015	*Amount recovered from fraud losses* 2015	*Has a policy on fraud*	*Has fraud awareness and training*	*Has reporting and monitoring mechanisms*	*Has resources allocated for anti-fraud measures and activities*	*Has investigative capacity and capability*	*Has mechanism for recovery of damages, losses and assets*	*Has an adequate strategy in place*
International Residual Mechanism for Criminal Tribunals	–	–	N/A	35 506	N/A	Yes	Yes	Yes	No	Yes[a]	Yes	No
Total			**4 642**	**34 945 091**	**107**							

Source: Board reports on the individual entities.

[a] Uses OIOS services.

[b] Relates only to the Investment Management Division.

[c] Between 82 and 89 per cent relate to medical insurance fraud.

H. Cost-effective management of core business services

53. The Board has continued to highlight deficiencies in various business functions across the audited entities with a view to providing clear, objective, evidence-based and actionable recommendations that add value to management and operations. The business functions reviewed include human resources management, asset management, procurement and contract management, ICT, travel management and estate management, which are vital to the cost-effective delivery of the activities of the entities concerned.

Human resources management

Performance evaluations

54. Performance evaluation of employees[13] is one of the critical communication tools that an organization can use because it provides feedback, recognizes high-quality performance and sets expectations for future job performance.

55. In 2015, the Board identified cases in which performance evaluations were either delayed or not conducted at all by some entities, which made it difficult to determine whether the established needs and objectives of the engagements were achieved. For instance, in United Nations (Vol. I), the Board's review of the 2015 mid-cycle human resources management scorecard found that the Management Committee monitored only the 41 non-field and 39 field entities where senior management compacts were in place. The remaining 10 non-field and 12 field entities were not monitored by the Committee. Similarly, UNRWA had not conducted an evaluation for 15 out of 16 contracts of individual consultants and contractors from different hiring departments at the headquarters in Amman, as well as 5 out of 15 contracts of individual consultants and contractors from different hiring departments at the Jordan field office. At UNDP, there were delays in the evaluation of the service contract holders[14] at some country offices.

56. Staff performance appraisal deficiencies were noted at UN-Women, in which performance planning and mid-year and final reviews were either not performed or performed after delays at some of the country offices visited.

57. At UNDP, 32 per cent of 262 staff reviewed at four country offices had not completed their performance plans, and mid-year reviews were not done on their performance. The Board consider that the entity needs to enforce Performance Management Development (PMD) at the country office to ensure timeliness in completing review, documentation and approval of mid-year and final reviews by managers.

Core functions performed by service contract holders and vacancy matters

58. The Board has continued to note the use of service contract holders by UNFPA and UN-Women to perform core staff functions (e.g. operations support, administrative and financial assistance) or in roles intended for individuals having

[13] Staff on fixed-term appointments, individual consultants and contractors, as well as service contract holders.

[14] Includes temporary staff and consultants.

United Nations staff status. The Board considers that these entities need to engage permanent staff for the positions so that the internal workforce is strengthened and institutional memory is preserved.

59. At the United Nations Joint Staff Pension Fund, the Board noted that the total vacancy at the Professional level in the Investment Management Division for more than six months was more than 25 per cent. For instance, the Board noted that the post of Deputy Director (Risk and Compliance) had been vacant since October 2015 and that one post of Compliance Officer approved in 2015 in the Risk and Compliance Section had also not been filled. The Board is of the view that long-pending vacancies at the senior level may adversely affect the entity's performance and can lead to centralization of responsibility and overburdening of the existing professionals and may compromise the segregation of duties and result in inefficiencies.

60. At UNDP, 80 out of 104 service contracts in four out of six country offices visited were evaluated 2 to 40 days prior to contract expiration, contrary to section 4.39 of the contract user's guide, which requires such evaluation to be done two months prior to expiration of the contract.

Workforce management

61. In an analysis of the management of the workforce, the Board assessed: (a) workforce planning; (b) delegations of authority; and (c) performance management, and found that UNHCR was driving efficiencies through a more effective deployment and use of staff. The entity is committed to a 5 per cent reduction in the number of regular posts and affiliated workforces, but more needs to be done to determine the staff costs categorized as programme support. The Board noted that, between 2014 and 2015, programme support costs increased by 23 per cent, while programme expenditure decreased by 5 per cent.

62. In 2014, the Board compared UNODC to other United Nations entities, and the comparative data indicated a need for UNODC to review its staffing structure and to inform senior managers of the results. UNODC is liaising with other United Nations organizations and assessing its current grade structures to address the risk of grade drift, the balance between senior and junior staff, together with the current organizational staffing needs and the skills needed in the future.

63. For the United Nations (Vol. I), the Administration has made limited progress in addressing the Board's previous recommendation that it develop a medium- to long-term strategic workforce strategy and operational workforce plans informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills (A/69/5 (Vol. I), para. 164). Understanding when staff should move based on business need is fundamental to effectively implementing staff mobility.

Asset management

64. During the year under review, the Board noted that most of the United Nations entities and funds and programmes had in place effective asset management systems for safeguarding, recording, valuation and write-off procedures of assets, which in essence strengthen the stewardship and control of assets.

65. However, the Board noted areas for improvement with regard to asset management for some entities as described below:

- At UNFPA, the Board noted that the entity had not updated the current inventory policy and procedures manual to incorporate the procedures for handling and managing inventories associated with the newly established inventory system known as "Shipment Tracker". The Board is of the view that all systems roll-outs have to ensure that the associated policies are aligned with them so that the intended objectives of the roll-outs are achieved.
- The Board found slow-moving inventories held by UNICEF, such that as at 31 December 2015 the combined value of inventories held by the Copenhagen Supply Division warehouse and the warehouse hubs in Shanghai, China, Panama and Dubai, United Arab Emirates, was $58.46 million. The Board is concerned that the accumulation of inventory without utilization for long periods might result in the blocking up of resources.
- In addition, at UNICEF, the Board noted that write-off approvals were taking longer than the optimal time, whereby as at 31 December 2015 18 items carrying a submission value of $0.69 million referred to and recommended by the Property Survey Board for further action were awaiting approval from the Controller for a period ranging from 1 to 11 months. The delay has the risk of eroding the shelf life of the inventories and the possibility of affecting programme implementation, besides incurring additional storage costs when items are held for long periods.
- The Board noted that UNU had not reviewed the useful lives of 139 assets (acquired between 1982 and 2011) with a net balance value of $0.26 million (original cost $2.59 million), which had completed their useful lives but were still in use contrary to the requirement of IPSAS 17.

Procurement and contract management

66. Procurement and contract management activities are supposed to be managed effectively because their procedures need to be sufficiently competitive so as to ensure financial savings, improvement in the quantity and/or quality of goods and services received and better management of risks associated with the procurement of goods and services.

67. The Board noted the following deficiencies during the review of the procurement and contract management activities across the United Nations and its funds and programmes:

- OIOS pointed out in its report the need for UNHCR to urgently strengthen implementing partners' procurement processes, that is, the need for improved local oversight and consideration of the cost-benefit analysis of allowing implementing partners to be prequalified to undertake their own procurement, as opposed to procurement through UNHCR. In addition, there were cases of delayed deliveries of goods or works and non-levy of the liquidated damages at UNICEF,[15] the International Residual Mechanism for Criminal Tribunals

[15] The Board reported in its previous concise summary report (A/70/322) that UNICEF experienced delays in the delivery of goods and services across its field offices.

and UNRWA. For example, at UNRWA (Gaza field office), the Board noted delays in deliveries of goods and services ($2.69 million) for periods ranging from 30 to 110 days from the contractual due dates, but no liquidated damages were imposed on the suppliers for the late deliveries.

- UNRWA had cases of inadequate justification of waivers that involved issues such as shortening of tender periods and failure to identify procurements requirements in a timely manner and/or to communicate the results to the procurement and logistics departments.

- At UNFPA, the Board noted that the purchase order was being issued after the delivery of goods and services, which in effect meant that the purchase order was not being used as the primary contracting instrument and as the tool for encumbering funds pursuant to the requirements of UNFPA procurement procedures, as well as the internal control framework.

- At UNDP, the Board found 84 duplicate active vendors and 33 approved vendors that had bank accounts with similar numbers and details, which pose the risk of transacting and/or making payments to inappropriate vendors, although no such incident was found during the audit.

- At the United Nations Joint Staff Pension Fund, the Board noted that in 2011 the Fund had decided to treat the selection of external managers as an investment decision rather than a procurement exercise and to have separate guidelines for selecting and evaluating managers of external funds (discretionary investment managers). However, even after more than four years, the guidelines have not been finalized; therefore, the Fund misses the opportunities to hire better external managers and to negotiate more favourable terms and conditions.

- At the United Nations (Vol. I), the Board noted that the procurement processes designed to improve value for money were not performed consistently, meaning contracts were not always subject to adequate competition or performance management.

- With regard to the strategic heritage plan of the United Nations Office at Geneva, the Board's review of ongoing contracts indicated delays in deliverables under different contracts for the provision of programme management services and the provision of civil and structural engineering services and in the submission of the final report by the consultant under a contract for survey of hazardous material. There was no provision for levy of liquidated damages for delays attributable to the contracts in any of the contracts.

Information and communications technology

68. The Board has continued to review the management of ICT of the United Nations and its funds and programmes because a wide range of activities undertaken by the entities are supported by ICT. The Board has identified developments and deficiencies that are in need of management intervention, as described below.

Management of information and communications technology costs

69. The Board reviewed the management of ICT costs at the United Nations entities and funds and programmes to determine whether there are established indicators to monitor the movements of ICT costs, thresholds set to enable ICT projects to be reviewed by the approved committee and to check the general trend of entities' investments in ICT (see table 6 for the analysis of the management of ICT equipment costs).

70. The Board noted from the data supplied by management that the United Nations Capital Development Fund, UNDP, UNU and the United Nations (Vol. I) have in place the indicators that facilitate the monitoring of the movements of ICT costs. For the United Nations (Vol. I), the Office of Information and Communications Technology is developing an improved understanding of ICT costs, including by presenting Member States with a revised five-year forecast across the Secretariat. For 2016, the forecast will include the Department of Field Support, which was missing from the exercise the previous year. Overall, the Administration has made some positive progress since the Board's previous report. Of particular note is the improved and more collaborative working relationship between the Office and the Department of Field Support to implement the ICT strategy. The Board reiterates the importance of increasing visibility of actual expenditure and the status of ICT assets across the entire Secretariat, including peacekeeping operations. Without that information, the Administration cannot develop robust planning assumptions and present fully informed options to Member States on further investment in ICT.

71. The Board found that UN-Habitat, UNRWA, UN-Women and UNFPA did not have in place the indicators to monitor the movements of ICT costs. For instance, UNFPA has not established a mechanism or process for accumulating and accounting for costs that were involved in the development of internally generated software/applications. As a result, it was not clear whether the costs deserved to be capitalized owing to the inability to assess whether they were below the threshold.

72. Furthermore, the Board observed that most of the United Nations entities and funds and programmes have had recorded a general decrease in the net book values of ICT equipment, from $276.87 million in 2014 to $265.43 million in 2015. The decrease in net book values has been attributed mostly to the movement of annual depreciations and disposals during the year.

73. However, the Board noted a general increase in net book values with respect to software (intangible assets), from $73.17 million in 2014 to $89.18 million in 2015.

74. In addition, the Board found that most United Nations entities and funds and programmes set thresholds, which enabled ICT projects of a certain magnitude to be reviewed and approved by ICT committees or ICT boards. For example, UNDP and the United Nations Capital Development Fund require all ICT projects to be approved by the ICT committees regardless of the cost, although the level of approval depends on the size of the project, such that large and extra-large projects require ICT board approval, while small and medium-sized projects require approval from the Office of Information Management and Technology and the business owner.

Table 6
Analysis of the management of ICT equipment costs
(Thousands of United States dollars)

Entity	*Are any indicators employed to monitor movements of ICT costs? (e.g. ICT cost per employee)*	*Threshold set such that ICT projects above it are subject to review and approval by a committee*	*Cost as at 31 December 2015*	*Additions*	*Disposal*	*Net book value*	
						2015	*2014*
United Nations (Vol. I)	Yes	Yes	159 584	14 415	12 980	53 059	59 239
United Nations peacekeeping operations	Not known	Not known	370 801	41 068	4 760	120 820	125 213
ITC	No	No	777	92	36	166	171
United Nations Capital Development Fund	Yes	Yes	119	37	3	55	26
UNDP	Yes	Yes	57 649	7 186	5 034	28 332	27 050
UNEP	No	No	1 718	–	150	249	357
UNFPA	No	Yes	18 109	2 231	1 676	7 517	7 188
UN-Habitat	No	No	777	320	–	396	184
UNICEF	Not known	Not known	17 697	3 088	2 666	6 953	10 744
UNITAR	N/A	N/A	–	–	–	33	40
UNHCR	No	Yes	25 654	1 151	168	11 654	13 840
United Nations Joint Staff Pension Fund	Not known	Not known	1 333	–	3 452	247	529
UNODC	No	Not known[a]	1 146	121	425	456	924
UNOPS	N/A[a]	Yes	–	1 803	854	15 343	13 984
UNRWA	No	Yes	39 927	3 747	321	10 426	9 196
UNU	Yes	Yes	3 068	212	81	562	570
UN-Women	No	Yes	7 423	1 771	511	3 478	2 732
ICTR	N/A	N/A	2 321	28	2 305	365	748
ICTY	N/A	Yes	7 126	60	–	1 810	2 349
International Residual Mechanism for Criminal Tribunals	N/A	Yes	5 423	3 045	–	3 505	1 785
Total			**720 652**	**80 375**	**35 422**	**265 426**	**276 869**

[a] No specific work performed or no major ICT activity.

Management of information security and disaster recovery plans

75. Information security is vital for the protection of the organization's information from unauthorized access, use, disruption, destruction, modification, inspection, recording or disclosure. Considering the globally dispersed nature of the operations of the United Nations and its funds and programmes, the Board sees the need for stronger information security systems to mitigate the risk of misuse of information.

76. However, the Board noted that UNDP had 155 staff who were registered for information security awareness training but that only 68 of them successfully completed the training, which in effect means that the staff who have not completed the training increase the risk of improper handling of sensitive information and unsecure use of ICT systems and/or may easily become victims of targeted attacks.

77. The Board also found that UNRWA had not established the steering committee for information and communications and that the security responsibilities were spread among various ICT personnel, rather than being centralized with ICT security personnel to get the needed focus in discharging activities of the information security programme.

78. In addition, the Board observed that UNFPA had not reviewed 13 of 15 policies (since 2012) pursuant to the requirements of its ICT security policy. In the Board's view, it is important to carry out the reviews, because the changes in the ICT environment often prompt the need for regular review of ICT policies so as to address the risks associated with those changes.

79. Furthermore, The Board noted that UNFPA had neither documented the ICT disaster recovery plan nor tested it to ensure that it was kept up to date. This can have an impact on UNFPA business continuity because the continuity of systems and rapid recovery of data in case of disasters depend on the disaster recovery plans.

80. Moreover, the Board observed that ICTY had not yet identified a location for the disaster recovery sites and that the off-site data backup site had not been relocated, which exposed the Tribunal to the risk of losing valuable information in case of a disaster.

Information and communications technology strategy

81. Organizations need ICT strategies in order to set the vision for the management of ICT in terms of the determination and control of costs, development of appropriate human capital management, proper acquisition of hardware and software, management of ICT-related vendors and development of an overall risk management strategy.

82. However, the Board noted limited progress in this area. For example, UNRWA had not developed its ICT strategy, which in effect exposed the entity to the risks of building up the ICT capabilities required to support its strategic intentions and for responding in a timely manner to organizational transformation. In addition, the ICT strategic plan (2012-2015) of UN-Women did not include key elements such as a timetable for achieving the expected outcomes, success metrics or a description of major risks and how they would be mitigated, which consequently could lead to inadequate implementation of the ICT strategy, owing to inadequate monitoring and

evaluation of the ICT strategy with regard to the achievement of the planned objectives.

Travel management

83. In its previous concise summary report (A/70/322), the Board highlighted that there was a continuing need for the review of the actual requirements for official travel and that entities should take steps to strengthen budget planning for official travel to ensure optimum allocation and utilization of resources. Furthermore, the Board pointed out that those effective steps were needed to enforce and monitor compliance with the advance purchase policy and that, where possible, the use of teleconferencing and videoconferencing by staff and management should be encouraged.

84. The Board's review of the data supplied by management revealed that, during the year under review, the United Nations entities together with the funds and programmes had put in place effective measures to minimize travel costs through the use of alternative methods such as policies on advance purchase of tickets as well as the use of teleconferencing and videoconferencing.

85. However, the Board identified some deficiencies in need of improvement, as explained below:

- UNRWA did not have in place an advance ticket travel purchase policy to guide and streamline travel management approving processes, which ultimately resulted in most tickets being booked a short period before the dates of travel. At UNICEF, the Board recommended that the entity review the applicability of its policy on advance booking globally in view of the changes in travel business and revise the strategies accordingly because the Board found that 14 days' advance purchase of tickets was made in respect of only 35 per cent of travel.[16]
- Furthermore, at UNICEF, the Board found delays in the clearance of travel advances taken by staff, which deprives the organization of assurance that the person conducted the travel as planned (duration/schedule) and that the purpose of the travel was met. For instance, 9 out of 10 selected sample cases of open travel authorization with travel costs in excess of $1,000 revealed delays in trip closure ranging from 31 to 170 days.

Estates management

86. The Board used data supplied by management to review the estates management activities at the United Nations entities and funds and programmes in order to assess the following: existence of an asset management strategy for the buildings that incorporates planned ongoing maintenance; strategies used to cover the costs of maintenance and upgrade (one way of organizing maintenance activities); and existence of an adequate inventory system for estates asset management.

[16] UNICEF management stated that the changes in North American airline inventory management had rendered the conventional wisdom of booking in advance for low fares false.

87. The Board noted that most United Nations entities and funds and programmes did not have in place an asset management strategy for the buildings which incorporated planned ongoing maintenance. The Board analysis showed that only UNRWA, UNDP, UNFPA, UN-Women and UNU had developed an asset management strategy, which includes a maintenance investment plan. In addition, the Board observed that the Secretariat was making progress in gathering data to enable it to develop an estate management strategy, although the initiatives were at an early stage.

88. The Board noted that, while UNRWA and UNFPA had sinking funds, other United Nations entities and funds and programmes did not have specific strategies that could enable them to cover the costs of maintenance and upgrades.

89. In addition, the Board observed that most United Nations entities and funds and programmes possessed adequate inventory management systems, which enabled effective management of estate assets.

90. On the operations of the United Nations as reported in volume I, the Secretariat has started to introduce a more strategic approach to managing its global estate. Recent initiatives include conducting the strategic capital review; implementing the Umoja estates management module; introducing the concept of a flexible workplace in New York; and producing guidelines for managing capital projects. The challenge at present is to ensure that this leads to improved performance and efficiencies. The continued absence of an agreed and documented global estates strategy and the lack of key performance benchmarks and data on occupancy rates are significant gaps that need to be addressed to ensure that the estate is of the correct size, distribution and composition.

I. Business transformation

91. The United Nations has been carrying out business transformation projects that are crucial drivers in modernizing the Organization and keeping it relevant. The Board has continued to report separately on major projects, such as the capital master plan and the new enterprise resource planning system (Umoja).

92. The Board noted that implementing the Secretariat's new enterprise resource planning solution (Umoja) across more than 33,000 staff in 400 locations was a significant achievement given the project's complexity and difficult start. Umoja remains central to the successful reform and modernization of the administration of the United Nations and has the potential to generate major benefits for the Organization and Member States. While it is common for major enterprise resource planning implementations to experience problems, and the Secretariat is struggling with a significant number of implementation issues, the Board is of the view that business units and the project team need to work constructively together to solve these issues. The Administration also needs to demonstrate that it can control the growing costs of the project and realize the financial and service delivery benefits that were promised, in order to present a viable business case that justifies further investment by Member States to deliver the full scope of the project.

93. The capital master plan for the renovation and modernization of the Headquarters campus in New York is in its final phase after nearly 14 years and a

$2.3 billion investment. All major procurement actions are finalized, major construction works are complete, residual works are in progress, and the administrative close-out of completed contracts continues. There have been significant cost and time overruns over the life of the project, but the Administration should complete the remaining activities within budget by 31 December 2016, with final completion and the administrative close-out likely to take place in 2017. The Administration needs to manage the residual risks around the project and maintain project management disciplines to ensure that it is completed smoothly within the current timetable and budget. In particular, the Administration needs to ensure that it has credible maintenance plans in place to preserve the full value of the renovated campus, and prioritize efforts to realize the full benefits from Member States' significant investment.

94. On the operations of the United Nations as reported in volume I, the Board has seen evidence of a strong commitment to reform, with significant progress in implementing centrally driven initiatives such as IPSAS, Umoja, the global field support strategy and revised strategies and approaches to the management of ICT, procurement, human resources and estates. Those initiatives have often made a difficult start, running late and over budget, and have required significant senior management intervention to get back on track. There is currently an opportunity to use the new systems and the capabilities that they provide to transform the Secretariat into a more modern and cost-effective business administration. The Secretariat still needs to develop the skills, capability and methodologies to make best use of the new systems and tools, including developing a baseline of current operational performance and adopting a formal methodology for achieving continuous improvement.

95. UNRWA implemented a new enterprise resource planning system (REACH), which went live in 2015. However, the Board noted that, as at March 2016, the entity had not yet developed the benefit realization plan, which was crucial in guiding the management in monitoring the identified benefits, and in ensuring that the opportunities expected from the project were realized at an optimal level.

96. In UNODC, the major business transformation is Umoja and much work needs to be done to embed new processes within the culture of the entity to ensure that it delivers the business benefits and that the improved data are used to support decision-making.

97. UNOPS deployed its new enterprise resource planning system, oneUNOPS, in line with its revised plan, in January 2016. Although the system was successfully rolled out in January 2016, the Board identified that a review of system and fraud risks was not conducted until after deployment. UNOPS encountered some initial issues with regard to the completeness of vendor and contractor data, which led to some $2.2 million worth of payments being rejected by banks. In its previous report, the Board recommended that UNOPS obtain independent external assurance over the implementation of the system; UNOPS has engaged an external consultant, but this was not done until after the implementation of the system.

98. UNOPS has identified the expected savings from operating oneUNOPS; however, it may have some difficulty in fully quantifying the benefits of the system, a case similar to that noted at UNRWA. While UNOPS has identified that hosting its own solution will save $1.5 million per annum, the quality of existing milestone and

activity data may make identifying the full benefit of the new system difficult to quantify from the previous baseline costs. In addition, while existing systems have provided detailed management information, at the time of the Board's audit UNOPS had not identified the full requirements of users with respect to information from its new system.

III. Status of implementation of previous recommendations

99. The Board has continued to provide audit recommendations that seek to significantly address the weaknesses or problems identified by the audits. Consequently, the Board follows up on recommendations made in its previous reports to ensure that the respective organization has taken actions to implement recommendations or, when appropriate, can justify why certain recommendations have not been implemented or have not been accepted.

100. For the period under review, the Board has summarized in an annex to each report the status of the respective organization's implementation of the Board's recommendations for the financial period ended 31 December 2014. A table summarizing the status of implementation of the recommendations by all organizations is contained in annex III to the present report.

101. Of the total of 515 recommendations for the year 2014 (up to June 2015 for United Nations peacekeeping operations), 210 recommendations (41 per cent) had been fully implemented. This represents a decrease in the rate of implementation compared with the previous year, for which 49.6 per cent of past recommendations had been fully implemented. For the rest of the recommendations, the status is as follows:

- 217 recommendations (42 per cent) were under implementation
- 42 recommendations (8 per cent) had not been implemented
- 20 recommendations (4 per cent) had been overtaken by events
- 17 recommendations (3 per cent) had been reiterated
- 9 recommendation (2 per cent) had been closed

102. The Board analysis showed that the rate of unimplemented recommendations had increased compared with the previous period. The reasons for the increasing trend of unimplemented recommendations vary and have been covered in individual reports but include factors such as the need to change polices or introduce controls in the systems. The Board reiterates critical lessons learned by the Administration in the implementation of recommendations:

- The need for the Administration to establish a dedicated follow-up mechanism or function by allocating specific responsibility for the implementation of all recommendations to the relevant divisions, holding them to account for doing so within a predetermined time frame.
- The need for management to take greater ownership of implementing recommendations to effectively address the root causes of the problems identified by the Board.

IV. Acknowledgement

103. The Board wishes to express its appreciation for the cooperation and assistance extended to it and its staff by the United Nations Secretariat and the funds and programmes.

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General
of the United Republic of Tanzania
Chair of the Board of Auditors

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India

Annex I

Organizations

Organization	*Lead auditor*
United Nations (Vol. I)	United Kingdom
United Nations peacekeeping operations	India
International Trade Centre	United Kingdom
United Nations Capital Development Fund	United Republic of Tanzania
United Nations Development Programme	United Republic of Tanzania
United Nations Environment Programme	United Republic of Tanzania
United Nations Population Fund	United Republic of Tanzania
United Nations Human Settlements Programme	United Republic of Tanzania
United Nations Children's Fund	India
United Nations Institute for Training and Research	United Kingdom
Office of the United Nations High Commissioner for Refugees	United Kingdom
United Nations Joint Staff Pension Fund	India
United Nations Office on Drugs and Crime	United Kingdom
United Nations Office for Project Services	United Kingdom
United Nations Relief and Works Agency for Palestine Refugees in the Near East	United Republic of Tanzania
United Nations University	India
United Nations Entity for Gender Equality and the Empowerment of Women	United Republic of Tanzania
International Criminal Tribunal for Rwanda	United Republic of Tanzania
International Tribunal for the Former Yugoslavia	United Republic of Tanzania
International Residual Mechanism for Criminal Tribunals	United Republic of Tanzania

Annex II

Explanation of types of audit opinions

Unmodified unqualified	*Modified*		
	Qualified	*Adverse*	*Disclaimer*
An unmodified opinion implies that the financial statements of the auditee were prepared, in all material respects, in accordance with the applicable financial reporting framework, i.e., the International Public Sector Accounting Standards, which have been adopted by the United Nations and its funds and programmes.	A qualified opinion implies that the auditor, who, having obtained sufficient and appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements, or that the auditor is unable to obtain sufficient appropriate audit evidence on which to base an opinion on specific areas, but concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. Therefore an auditor expresses an opinion on the fair presentation of financial statements, but with an exception only for the area for which he/she did not get sufficient audit evidence.	An adverse opinion implies that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements, based on sufficient appropriate audit evidence.	A disclaimer of opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, normally due to scope limitation, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. A disclaimer of opinion shall also be issued when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding his or her having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements owing to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Note: "**Emphasis of matter**" is to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report. "**Other matters**" is to draw attention to any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Annex III

Status of implementation of the previous extant recommendations

Organization	*Number of recommendations*	*Fully implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*	*Reiterated*	*Closed by the Board*
United Nations (Vol. I)	63	6	22	32	1	–	2
United Nations peacekeeping operations	63	33	25	2	3	–	–
International Trade Centre	18	10	4		1	–	3
United Nations Capital Development Fund	16	12	3	–	1	–	–
United Nations Development Programme	31	15	7	2	–	7	–
United Nations Environment Programme	14	4	9	–	–	1	–
United Nations Population Fund	20	14	6	–	–	–	–
United Nations Human Settlements Programme	20	16	3	–	–	1	–
United Nations Children's Fund	23	9	14	–	–	–	–
United Nations Institute for Training and Research	13	2	10	1	–	–	–
Office of the United Nations High Commissioner for Refugees	34	6	25	–	3	–	–
United Nations Joint Staff Pension Fund	12	3	7	2	–	–	–
United Nations Office on Drugs and Crime	27	6	11	1	7	–	2
United Nations Office for Project Services	43	22	18	1	–	–	2
United Nations Relief and Works Agency for Palestine Refugees in the Near East	71	25	37	1	1	7	–
United Nations University	14	10	4	–	–	–	–
United Nations Entity for Gender Equality and the Empowerment of Women	19	6	12	–	–	1	–
International Criminal Tribunal for Rwanda	7	5	–	–	2	–	–
International Tribunal for the Former Yugoslavia	7	6	–	–	1	–	–
International Residual Mechanism for Criminal Tribunals	–	–	–	–	–	–	–
Total	**515**	**210**	**217**	**42**	**20**	**17**	**9**
Percentage	**100**	**41**	**42**	**8**	**4**	**3**	**2**
Total (2014)	**526**	**261**	**206**	**29**	**23**	**2**	**5**
Percentage (2014)	**100**	**49.6**	**39.3**	**5.5**	**4.4**	**0.4**	**1.0**

Source: Board reports for 2015.

Note: United Nations peacekeeping operations have an annual financial cycle ending 30 June; therefore, the figures reported are for recommendations made up to 30 June 2015.